

**Hussar - Ghost Pine** — Continued from inside  
 acquired by Petrol and associates at a recent Crown Sale. The main objectives of the wells in this area is gas in the Cretaceous.

#### **North Premier, Saskatchewan**

Two successful Upper Shaunavon oil wells have recently been completed. One additional well is programmed for next month. Petrol's interest in these wells is 3.3%.

#### **Prince of Wales Island, Arctic Islands**

BP Oil and Gas Ltd. has recently taken a farmout of your

Company's lands in this area. BP Oil and Kerr-McGee are conducting an airborne magnetometer survey on 4.35 million acres in which Petrol holds a 2.5% interest. The farmee has a series of options to do seismic and drilling between 1970-75 to earn half of our group's interest.

#### **GENERAL**

Your Company will be drilling one or two Cretaceous gas wells immediately in the Ashmont, Alberta area on a 24,317 acre block. Seismic work is to start immediately on the 61,600 acre area in Makwa, Saskatchewan with a view towards drilling Cretaceous gas wells this fall, a gas line has now been laid into the area. Petrol has a 3.3% interest in each project.

# ***PETROL***

**PROGRESS REPORT AUGUST 1970**



## TO THE SHAREHOLDERS

### FINANCIAL

#### First Half 1970 —

Gross income rose by 23.9% to \$409,000 over the first half of 1969. Crude oil sales increased \$65,000 to \$360,000, an increase of 22.2%. Revenue from natural gas and products was \$42,000 vs \$27,000 last year, up 54.0%.

Cash expenses were up by \$40,000 (37.7%). The increases in production expenses (\$16,000) and interest expense (\$10,000) are chiefly the result of initial start up costs and investment in a gas plant at Simonette. As the plant is now on stream, higher gas revenues during the second half of 1970 will offset these increased costs. General and administrative expenses are up \$14,000 reflecting the increased management fee approved at the Annual Meeting of Shareholders.

Cash flow from operations amounted to \$263,000 (6.6¢ per share) vs. \$224,000 (5.6¢ per share) last year, up 17.4%. Net income amounted to \$148,000 (3.7¢ per share) compared with \$131,000 (3.3¢ per share) last year.

Details of the \$472,000 increase in working capital since the beginning of the year are shown in the comparative Source and Applications of Funds Statement below.

### OIL PRODUCTION

Net oil production during the first half of 1970 totalled 136,400 barrels compared with 112,300 barrels in the same period last year; the 21.5% increase is primarily attributable to higher production from the Company's Simonette, Pembina and Mitsue properties in Alberta.

### EXPLORATION

#### Mackenzie Valley

The map, shown on the reverse page, highlights Petrol's land holdings along the Mackenzie Valley where two long

range gas pipeline proposals have recently been announced. With the current extreme gas shortages in the United States, it seems likely that a pipeline will be built down this valley in the mid 70's.

Such a pipeline will generate much geophysical and exploratory drilling activity in the Northwest Territories. One recent forecast anticipates 440 crew months of geophysical exploration and 360 wells between now and the end of 1974 for the area between Fort Norman south to the Alberta boundary; for the area, Fort Norman north to the Arctic Coast, 700 crew months of geophysical activity and some 220 wells are expected.

The map shows the various wells currently drilling near our properties. Additional wells are programmed by other operators in the area and Petrol will participate in one or more wells this Winter. A farmee is committed to drill one well and has until August 1st to commit to drill 3 or 4 additional wells or relinquish his option.

Magnetometer work will be starting immediately on the 442,142 acre block in the Horn River area of the Northwest Territories. Your Company has a 10% interest in these lands. This work will help evaluate the other Company lands in this area also.

#### Hussar - Ghost Pine

In the general Hussar - Ghost Pine area of Alberta, your Company has taken a small participating interest in a 12 well drilling programme in which some 300,000 acres will be tested. The main prospects are in the Basal Belly River, Viking, Glauconite and Basal Quartz zones, all of which produce in proximity to the lands.

Petrol participated in a Cretaceous gas discovery immediately north of the Ghost Pine gas unit. It is expected that this gas will be tied into the gas gathering system in the near future. A stepout to the discovery well was not successful. Two other wells will be drilled on a 20,000 acre spread

(Continued on back page)

## THE PETROL OIL AND GAS COMPANY, LIMITED

and subsidiary companies

### CONSOLIDATED STATEMENT OF INCOME

	First Half	
	1970	1969
<b>INCOME</b>		
Net oil and gas sales . . . . .	\$402,000	\$322,000
Interest income . . . . .	7,000	8,000
	<u>409,000</u>	<u>330,000</u>
<b>CASH EXPENSES</b>		
Production . . . . .	93,000	77,000
General and administrative . . . . .	38,000	24,000
Interest . . . . .	15,000	5,000
	<u>146,000</u>	<u>106,000</u>
<b>CASH FLOW FROM OPERATIONS</b> . . . . .	263,000	224,000
Depreciation and depletion . . . . .	115,000	93,000
<b>NET INCOME</b> . . . . .	<u>\$148,000</u>	<u>\$131,000</u>
<b>CASH FLOW per common share</b> . . . . .	6.6¢	5.6¢
<b>NET INCOME per common share</b> . . . . .	3.7¢	3.3¢

### SOURCE AND APPLICATION OF FUNDS

	First Half	
	1970	1969
<b>SOURCE OF FUNDS:</b>		
Cash flow from operations . . . . .	\$263,000	\$224,000
Sale of production payments . . . . .	450,000	—
	<u>713,000</u>	<u>224,000</u>
<b>APPLICATION OF FUNDS:</b>		
Land acquisition and rentals . . . . .	42,000	87,000
Geological and geophysical . . . . .	33,000	8,000
Non-productive drilling . . . . .	29,000	18,000
Productive drilling and equipment . . . . .	66,000	207,000
	<u>170,000</u>	<u>320,000</u>
Retirement of production payments . . . . .	71,000	137,000
	<u>241,000</u>	<u>457,000</u>
<b>Increase (decrease) in working capital</b> . . . . .	<u>\$472,000</u>	<u>\$(233,000)</u>
<b>OIL PRODUCTION</b>		
Net barrels . . . . .	136,400	112,300
<i>Subject to audit and adjustment at year end.</i>		



PETROL

OIL  
AND GAS  
COMPANY  
LIMITED

ANNUAL REPORT  
1970

**To the Shareholders of  
the PETROL oil and gas company limited  
the annual report for the year 1970**

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**ANNUAL MEETING**

The annual meeting of the shareholders of the Company will be held at the Royal York Hotel, Toronto, Ontario on April 15, 1971 at 2:00 p.m., local time. A formal notice of the meeting together with a proxy form and information circular, is enclosed with this report.

## **DURING THE YEAR . . .**

The disruption in the pattern of supplies of crude oil from overseas to the North American continent and a growing demand in the United States for all forms of energy, were reflected in a higher demand for Canadian crude oil and gas during 1970.

On December 15, 1970, the posted field price of crude oil was raised by approximately 25c per barrel in Western Canada. As the industry has been squeezed by continuous rising costs of operations without commensurate increases in product prices for the past 8 years, the price adjustment has been welcomed.

The prospects of markets for Canadian natural gas and oil are very encouraging. However, the fact remains that the cost of finding these new reserves, their development and the major pipeline transportation systems together with required environmental protection, will become increasingly higher as the search spreads out from the southern Plains to Northern Canada and the Eastern Continental Shelf. If the industry is to discover and develop secure energy supplies for and on this continent, higher prices for oil and gas will be inevitable.

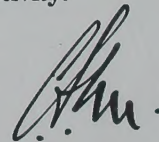
In order to attract risk capital from Canadians, proper tax incentives must be designed, but Canadians alone cannot supply all the necessary funds. It is, therefore, essential that adverse restrictions should not be placed upon foreign investment.

During 1970, Petrol recorded new highs in revenues and volumes of oil and gas produced. Gross income rose 11.7% to \$773,000; cash flow from operations amounted to \$497,000 vs \$457,000 in 1969. Net income for the year was \$298,000, up 9.6% from the previous year.

Oil production at 261,000 barrels was 9.2% higher than last year and natural gas sales almost tripled to 437,000 mcf.

At the year end, Petrol held interests in 11,786,000 gross undeveloped acres (487,000 net acres). As will be noted in the Exploration section of this report, your Company, for its size and resources, is well represented in areas of current exploratory activity.

March 12, 1971



President.



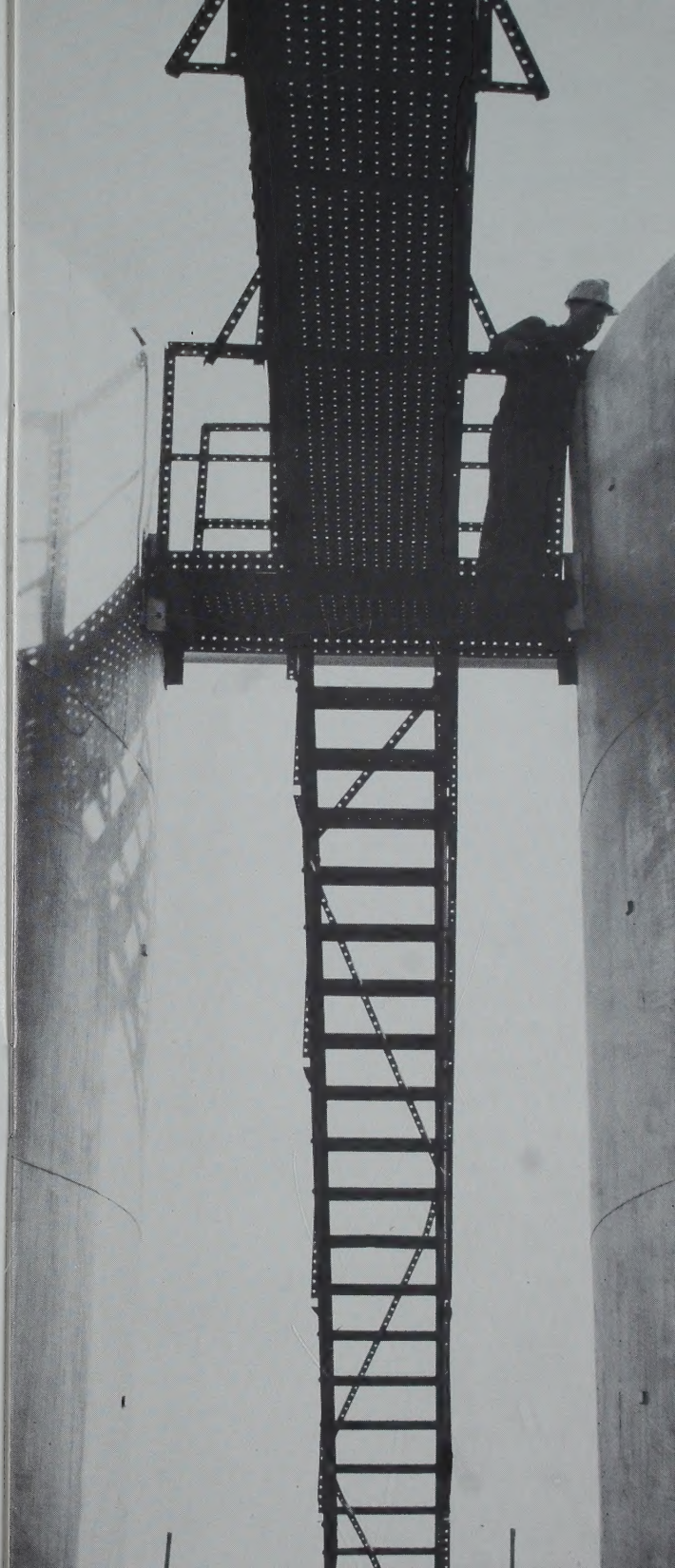
## SUMMARY OF THE YEAR 1970

### FINANCIAL

	1970	1969
Gross Income .....	\$ 773,000	\$ 692,000
Cash flow .....	497,000	457,000
Per share - ¢ .....	12.4	11.4
Depreciation and depletion	199,000	186,000
Net income .....	298,000	271,000
Per share - ¢ .....	7.4	6.8
Working capital (deficiency) .....	1,028,000	(191,000)
Exploration & development	282,000	696,000

### OPERATING

Oil production		
— net barrels .....	261,000	239,000
Natural gas sales		
— net mcf .....	437,000	160,000
Proven and probable additional reserves		
Oil — gross barrels ...	8,232,000	8,594,000
Natural gas — gross mcf	22,900,000	19,800,000
Sulphur — long tons ..	90,000	90,000
Land holdings		
Gross acres .....	11,786,000	12,713,000
Net acres .....	487,000	630,000





## INCOME STATEMENT

### Revenue

Reflecting the growing demand for Western Canadian crude oil and gas, Petrol's revenues from oil and gas sales increased by 13.4% to \$768,000. Net oil sales were up \$61,000 (9.7%) to \$689,000 while net gas sales rose from \$43,000 in 1969 to \$73,000. As the higher price for crude oil (25c barrel) was made effective on December 15, 1970, little gain from the price adjustment was recorded in 1970. Based upon the 1970 level of oil production, cash flow for 1971 could increase in excess of \$65,000 from this price adjustment. Gross income for the year amounted to \$773,000 vs \$692,000 in 1969.

### Charges Against Revenue

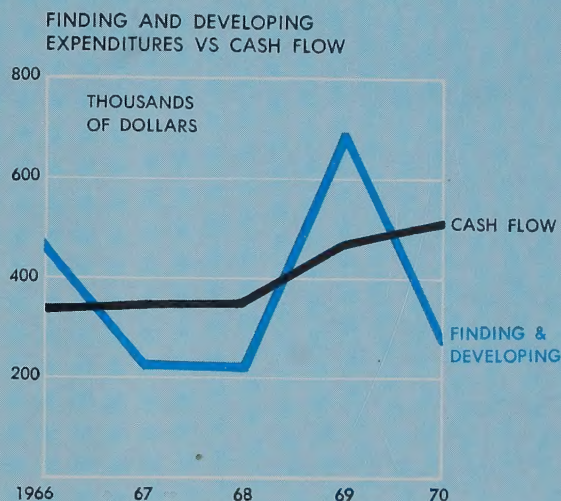
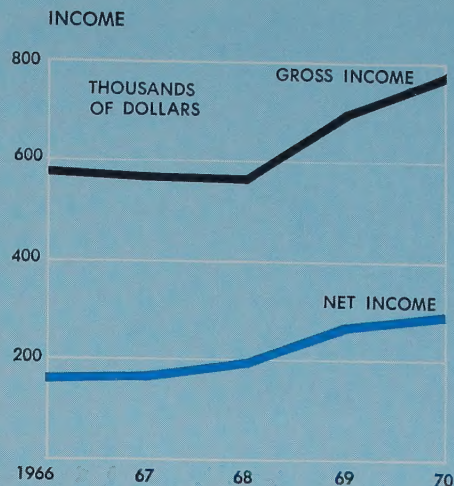
Total cash expenses amounted to \$276,000 in 1970 (\$235,000 in 1969). Production expenses increased by 16.8% to \$195,000, due chiefly to the higher start-up costs of two gas plants in which Petrol owns an interest. Non-cash write-offs (depreciation and depletion) increased by 7.3% to \$199,000 as a result of the higher volumes of oil and gas sold during the year.

### Cash Flow

Cash flow from operations rose 8.8% to \$497,000 (12.4c per share); the equivalent figures last year were \$457,000 (11.4c per share).

### Net Income

Petrol earned \$298,000 (7.4c per share) in 1970 compared with \$271,000 (6.8c per share) in the previous year.





## Source and Use of Funds

Funds were derived from three sources during 1970, firstly from operations (\$497,000), secondly from a sale of a production payment on certain of the Company's properties (\$1,100,000) and, thirdly, from the sale of its interests in two gas properties (\$134,000). The use of these funds included exploration and development expenditures (\$282,000) and the retirement of production payments (\$227,000). Working capital at the year end was \$1,028,000 compared with a working capital deficiency of \$191,000 last year.

The strong working capital position going into 1971 will enable your Company to participate in an active exploration program being planned for the Northwest Territories.

## RESERVES

Crude oil reserves declined slightly (4.2%) from 8,594,000 gross barrels in 1969 to 8,232,000 barrels. Gross oil production in 1970 amounted to 312,000 barrels.

Natural gas reserves increased by 15.6% to 22.9 billion gross cubic feet after allowing for the 1970 production of .5 billion cubic feet.

Sulphur reserves, mainly in the Simonette and Obed fields of Alberta, remained constant at 90,000 gross long tons.



A summary of the Company's crude oil, natural gas and sulphur reserves is presented below with comparative figures for the previous year. The reserves have been estimated by an independent consultant.

### PROVEN AND PROBABLE ADDITIONAL RESERVES

DECEMBER 31

	1970	1969
Crude Oil — gross barrels ....	8,232,000	8,594,000
Natural Gas — gross mcf ....	22,900,000	19,800,000
Sulphur — gross long tons ..	90,000	90,000



## PRODUCTION

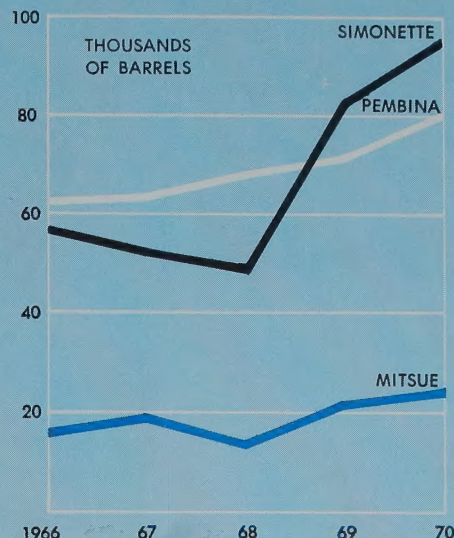
Petrol's crude oil production in 1970 totalled 261,000 net barrels (after royalties), a 9.2% improvement over 1969. The largest gains were achieved from properties in Alberta, where higher production allowables resulting primarily from increasing U.S. demand, raised the output from such fields as Simonette, Pembina and Mitsue.

Sales of natural gas rose from 160 million cubic feet in 1969 to 437 million in 1970. Production from previously shut-in wells at Ashmont and Gordondale in Alberta and new production from Matagorda Bay in Texas contributed to the increase.

Petrol's share of gas deliveries from the Simonette field increased from 97 million cubic feet in 1969 to 203 million in 1970. The new gas plant, which commenced operations in April 1970, handles gas associated with the D3 oil production and a condensate-rich gas from the D1. During months of peak oil demand, the associated D3 gas required the full plant capacity; as a result very little D1 gas was processed during the year. Feasibility studies to enlarge the capacity of the plant are being undertaken by the operator.

Owing to the very low prices for sulphur, the Company has been stockpiling its share of production.

CRUDE OIL PRODUCTION  
PRINCIPAL FIELDS



TEN YEAR TREND  
CRUDE OIL PRODUCTION





## EXPLORATION AND DEVELOPMENT

During 1970, the Company was actively engaged in the evaluation of its properties. Petrol supplemented its own exploration activities by contributing a portion of its interests in certain lands to other companies in exchange for geophysical and exploratory drilling on these lands. The Company participated in the drilling of 41 wells; Petrol's interest in the 30 exploratory wells averaged 2.5% and in the 11 development wells 5%. The costs of drilling 5 of the exploratory wells were borne by farmeers.

Exploratory drilling resulted in 3 oil wells, 6 gas wells and 21 dry holes. Development drilling results showed 9 oil wells, 1 gas well and 1 dry hole.

### NORTHWEST TERRITORIES — Map 1

#### Cormack Lake - Trout River - Mills Lake Area

Of the 32 wells drilled in this general area by the industry in 1970, none found commercial production. Seven wells found the prime objective, a Middle Devonian reef but little porosity was developed. Twenty wells are expected to be drilled in the area before spring break-up this year; some will be located relatively close to the Company's land holdings.

#### Beaufort Sea

A marine seismic survey was conducted on 83,526 acres in which the Company has a 5% interest in the Bathurst Inlet area; the seismic is currently being evaluated.

#### Horn River

The geophysical work conducted this year did not show any drillable prospects and most of the land will be relinquished in 1971.

#### Great Bear Lake

No work was done this year, but interest in this basin has been stimulated by the discovery of relatively thick sediments, including Basal Cretaceous sands in wells in this basin. At outcrop, the Basal Cretaceous sands are frequently oil-bearing.

### ARCTIC ISLANDS — Map 2

Following the discovery of gas at Panarctic's Drake Point well, Panarctic made a second gas discovery at King Christian Island; this well blew out at about 2,000' and caught fire. The blow-out was successfully controlled by the drilling of a relief well which will be utilized for further evaluation of the gas-bearing zone. It is expected that six rigs will be drilling in the Arctic Islands during the winter of 1970/71.

Seismic work was done on the Company's holdings in the Polynia Islands at no cost to the Company. (Petrol's interest 10% in 82,360 acres). An airborne magnetometer survey was completed also at no cost to the Company, on a 4,346,000 acre spread on the Prince of Wales Island. Petrol has a 2.3% interest in this property.

### ATLANTIC - OFFSHORE

Press reports indicate increasing activity in the Atlantic offshore area. In addition to Shell's 13 well program recently conducted, further programs by Amoco-Imperial, Tenneco and Mobil have been announced. This anticipated drilling will provide the background for the interpretation of the seismic program which Petrol and its associates expect to conduct on its 1,170,000 acre properties.



## MACKENZIE RIVER VALLEY

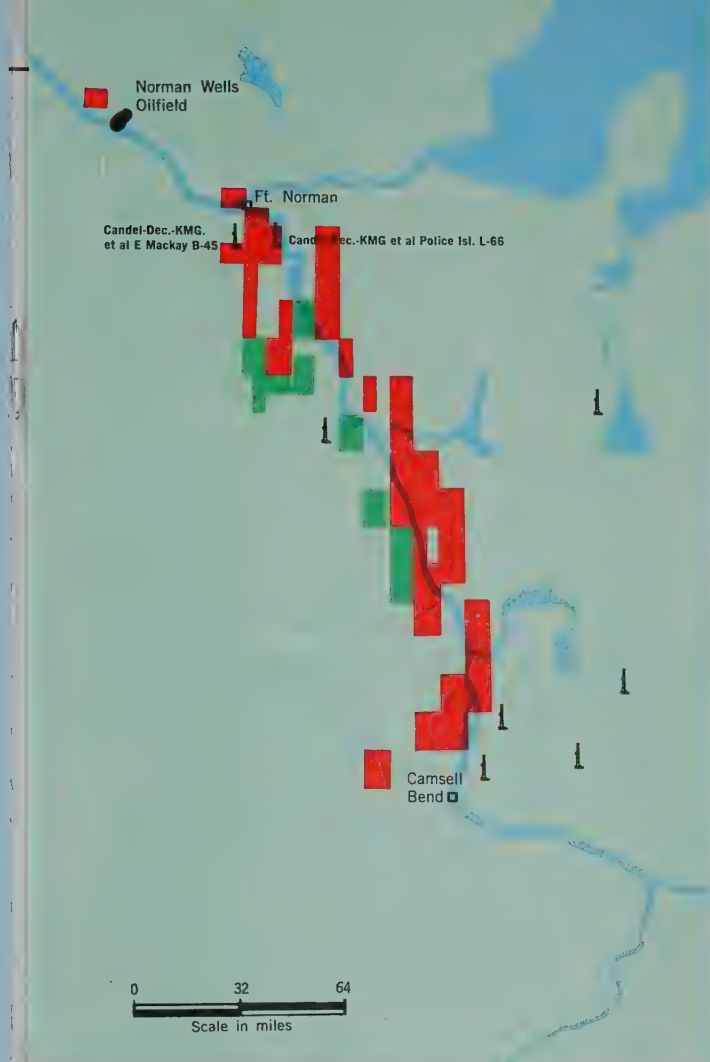
### Fort Norman - East Mackay Area

Seismic work done by a farmee in 1969 outlined several promising structures. Three wells were programmed for drilling in the winter season 1970/71. To date, one well at Keele River in which Petrol had a 2.5% interest was abandoned. A second well, Candel Dec KMG et al Mackay B-45, drilled by a farmee, recovered 20.4° API oil on a drillstem test. (Petrol's interest 1.25%). While it will take a considerable amount of further exploration to evaluate the extent and potential of the reservoir, this is the first good oil indication in the Mackenzie River Valley since the discovery of the Norman Wells field some fifty years ago.

The third well, Candel Dec KMG et al Police Island L-66, is also being drilled by a farmee at no cost to Petrol. Petrol's interest will be 1.25% after farmee earns his interest by drilling. This well is now in progress and is located 14 miles east of the discovery well. The Company and its associates have undertaken the obligation to conduct 120 miles of seismic survey work on 228,000 acres. This work will give the Company and its associates, at their option, the right to earn 50% in these properties by drilling wells; each well on a consecutive basis, will earn 50% in about 57,000 acres.

It will be noted from the accompanying map that your Company has interests in land blocks along some 200 miles in the Mackenzie River Valley. Petrol's interests vary between 1.25% and 10% in some 1,588,000 gross permit acres. In addition varying interests in 451,000 gross acres may be earned by the Company through seismic option agreements.

The proposed oil and gas pipelines from Prudhoe Bay up the Mackenzie Valley, if realized, would improve the economics of production from an area considered remote until recently. This area will absorb a large part of your Company's exploration effort in the immediate future.



### MACKENZIE RIVER VALLEY

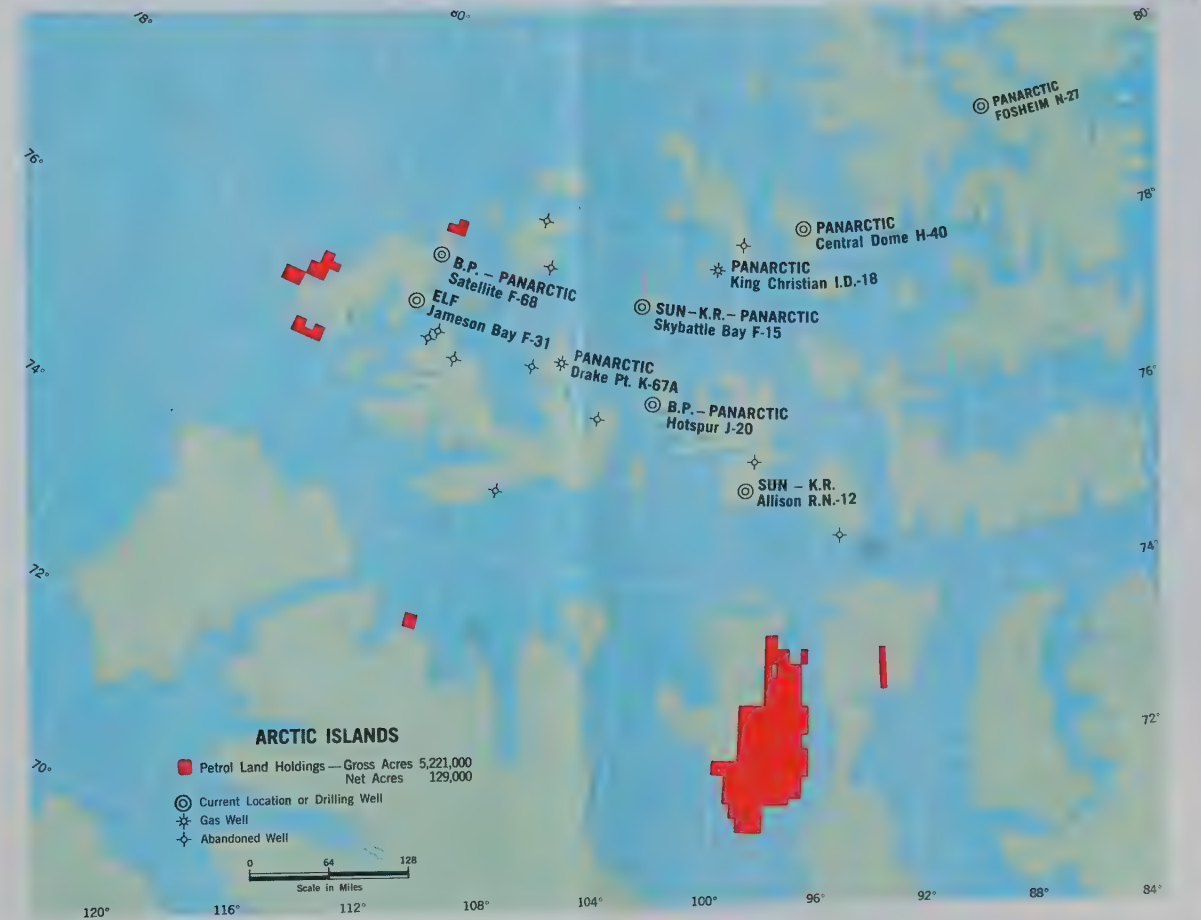
- Petrol Land Holdings - Gross Acres 1,588,000  
— Net Acres 68,000
- Petrol Option Holdings - Gross Acres 451,000



MAP 1



MAP 2





## ALBERTA

In response to an accelerating high demand for natural gas, your Company has continued its search for new reserves in the Alberta basin, the Foothills Belt and the Plains.

During 1970, a series of 13 relatively shallow wells were drilled in an area east and northeast of Calgary (Hussar West). The drilling resulted in 3 gas wells; one well is producing at the rate of 5.5 million cubic feet daily; the two other wells were completed as commercial discoveries but neither was large enough by itself at the present time to justify a pipeline to market the gas. Petrol's interest in the producing well is 3.3% and 1.7% each in the two shut-in wells.

In the Ghost Pine area, some 80 miles northeast of Calgary, a Glauconitic gas discovery was made and was connected to market early in 1971. Petrol's interest in this well is 3.3%.

Early in the year a step-out well from the Obed gas field was not successful. Since that time activities have been suspended pending a re-evaluation of seismic data, a re-negotiation of gas prices and stabilization of sulphur prices.

## ACREAGE HOLDINGS

At December 31, 1970, the Company held 11,786,000 gross acres (487,000 net acres).

Acquisitions included varying interests in properties located in the Beaufort Sea (1.2% in 248,000 acres), in the Makwa Lake area of Saskatchewan (3.3% in 71,000 acres), in the Whitefish and Trochu areas of Alberta (3.3% in 46,000 acres). A number of smaller holdings were also acquired at various locations in the Western Provinces and in the Northwest Territories.

During 1970, the Company surrendered its interest in 1,337,480 gross (52,000 net) acres located in the Arctic Ocean west of Banks Island.

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the **PETROL** oil and gas company limited  
and subsidiary companies

## CONSOLIDATED BALANCE SHEET

ASSETS	As at December 31	
	<u>1970</u>	<u>1969</u>
CURRENT:		
Cash .....	\$ 136,000	\$ 17,000
Short term investments at cost which approximates market ..	750,000	
Accounts receivable .....	35,000	35,000
Due from affiliated company ..	167,000	150,000
Prepaid expense .....	3,000	2,000
	<u>1,091,000</u>	<u>204,000</u>
REFUNDABLE DEPOSITS .....	<u>3,000</u>	<u>1,000</u>
PROPERTY AND EQUIPMENT AT COST:		
Oil and gas properties less accumulated depletion of \$1,704,000 (1969 - \$1,796,000) ..	3,124,000	3,189,000
Plant and equipment less accumulated depreciation of \$684,000 (1969 - \$761,000) .....	475,000	461,000
	<u>3,599,000</u>	<u>3,650,000</u>
OTHER:		
Sundry investments at cost ..	2,000	2,000
	<u>\$4,695,000</u>	<u>\$3,857,000</u>

See accompanying notes to consolidated financial statements.

## AUDITORS' REPORT

To the Shareholders of  
THE PETROL OIL & GAS COMPANY, LIMITED.

We have examined the consolidated balance sheet of The Petrol Oil & Gas Company, Limited and its subsidiary companies as at December 31, 1970 and the consolidated statements of income, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

LIABILITIES	As at December 31	
	<u>1970</u>	<u>1969</u>
CURRENT:		
Accounts payable and accrued charges .....	\$ 46,000	\$ 72,000
Due to parent company .....	17,000	324,000
	<u>63,000</u>	<u>396,000</u>
DEFERRED PRODUCTION INCOME (Note 3) .....	<u>977,000</u>	<u>104,000</u>
SHAREHOLDERS' EQUITY:		
Capital -		
Authorized - 8,000,000 shares of no par value		
Issued - 3,995,000 shares .....	2,744,000	2,744,000
Earned surplus (see statement page 20) .....	911,000	613,000
	<u>3,655,000</u>	<u>3,357,000</u>
	<u>\$4,695,000</u>	<u>\$3,857,000</u>
On behalf of the Board:		



Director.



Director.

In our opinion these financial statements present fairly the financial position of The Petrol Oil & Gas Company, Limited and its subsidiary companies at December 31, 1970, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.  
February 12, 1971.

CLARKSON, GORDON & CO.  
Chartered Accountants.



## CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

For The Years  
Ended December 31

1970 1969

Net oil and gas sales .....	\$ 768,000	\$ 677,000
Interest and other income ....	5,000	15,000
	<u>773,000</u>	<u>692,000</u>
Deduct:		
Production expenses .....	195,000	167,000
General and administrative expenses ..	68,000	56,000
Interest expense .....	13,000	12,000
	<u>276,000</u>	<u>235,000</u>
Cash flow from operations ....	497,000	457,000
Depreciation and depletion ..	<u>199,000</u>	<u>186,000</u>
Net income for the year (see notes) .....	298,000	271,000
Balance of earned surplus at beginning of year .....	613,000	342,000
Balance of earned surplus at end of year .....	<u>\$ 911,000</u>	<u>\$ 613,000</u>
Net income per common share	7.4¢	6.8¢

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For The Years  
Ended December 31

1970 1969

Source of funds:		
Cash flow from operations ..	\$ 497,000	\$ 457,000
Sale of production payments	1,100,000	
Sale of property .....	134,000	
	<u>1,731,000</u>	<u>457,000</u>
Application of funds:		
Additions to property and equipment .....	282,000	696,000
Retirement of production payments .....	227,000	258,000
Other .....	2,000	
	<u>511,000</u>	<u>954,000</u>
Increase (decrease) in working capital .....	<u>\$1,220,000</u>	<u>\$ (497,000)</u>

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1970

### 1. Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. The accounts of a subsidiary company operating in the United States are, for purposes of consolidation, included on the basis of \$1 U.S. equals \$1 Canadian. Net assets so converted amounted to \$237,000.

### 2. Accounting practice

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves of oil and gas. Depreciation of plant and equipment is provided at rates which are designed to amortize cost over the estimated useful life of these assets.

### 3. Deferred production income

During the year production payments, representing a portion of the companies' interest in future production from certain oil lands, were sold for \$1,100,000 cash. Income resulting from such sales is deferred and is reflected in income as the oil is produced and sold. Repayments during the year on production payments sold in the current and prior years amounted to \$227,000. It is expected that all production payments will be retired within three years.



#### 4. Income taxes

For income tax purposes, the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which exceed the related charges against earnings. As a result, no income taxes are payable in respect of the net income reported for the year ended December 31, 1970 and at that date accumulated expenditures of \$500,000 remain to be carried forward and applied against future taxable income. For 1970, capital cost allowance claims will be less than depreciation recorded in the accounts.

The Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes but the Company, in common with many other companies in the oil and gas industry in Canada, does not believe that tax allocation in respect of drilling, exploration and lease acquisition costs is appropriate. Accordingly, no provision has been made for deferred taxes on timing differences involving such costs.

Had provision for deferred income taxes been made with respect to all differences in timing of deductions for tax and accounting purposes deferred income taxes of \$105,000 in 1970 (\$100,000 in 1969) would have been provided and the net income for the year would have been reduced accordingly. The accumulated income tax deferrals relative to all timing differences amounted to approximately \$620,000 at December 31, 1970.

#### OIL PRODUCTION BY FIELDS (Thousands of Barrels)

	1970	1969	1968	1967	1966
<b>ALBERTA</b>					
Fenn .....	14	12	12	13	12
Mitsue .....	25	22	15	18	16
Pembina .....	80	73	68	63	61
Simonette .....	95	83	50	53	57
Swan Hills .....	6	7	9	9	9
Turner Valley .....	15	14	12	12	12
Other Fields .....	6	7	7	7	6
	<u>241</u>	<u>218</u>	<u>173</u>	<u>175</u>	<u>173</u>
<b>SASKATCHEWAN</b>					
Instow .....	6	6	6	8	9
Other Fields .....	4	3	5	6	5
	<u>10</u>	<u>9</u>	<u>11</u>	<u>14</u>	<u>14</u>
<b>BRITISH COLUMBIA ..</b>	<u>1</u>	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>
<b>UNITED STATES .....</b>	<u>9</u>	<u>11</u>	<u>10</u>	<u>12</u>	<u>17</u>
	<u>261</u>	<u>239</u>	<u>195</u>	<u>201</u>	<u>205</u>

#### GAS PRODUCTION BY FIELDS (Millions of Cubic Feet)

	1970	1969	1968	1967	1966
<b>ALBERTA</b>					
Ashmont .....	135	—	—	—	—
Ghost Pine .....	55	46	53	—	—
Gordondale .....	22	—	—	—	—
Simonette .....	203	97	64	62	6
Other .....	4	—	—	1	—
	<u>419</u>	<u>143</u>	<u>117</u>	<u>63</u>	<u>6</u>
<b>ONTARIO .....</b>	<u>—</u>	<u>10</u>	<u>14</u>	<u>22</u>	<u>21</u>
<b>SASKATCHEWAN .....</b>	<u>13</u>	<u>7</u>	<u>8</u>	<u>—</u>	<u>—</u>
<b>UNITED STATES .....</b>	<u>5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>437</u>	<u>160</u>	<u>139</u>	<u>85</u>	<u>27</u>

## SUMMARY OF ACREAGE HOLDINGS

Area	Petroleum and Natural Gas Leases		Reservations, Licenses Permits (*)		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta .....	384,400	27,000	60,500	1,800	444,900	28,800
Alaska .....	109,100	1,900	—	—	109,100	1,900
British Columbia .....	11,900	900	—	—	11,900	900
Hudson Bay .....			616,600	30,800	616,600	30,800
Maritimes (Offshore) .....			1,630,200	73,900	1,630,200	73,900
Northern Canada:						
Northwest Territories .....	87,500	4,400	2,880,700	170,900	2,968,200	175,300
Beaufort Sea .....			628,000	36,700	628,000	36,700
Arctic Islands .....			5,221,300	128,400	5,221,300	128,400
Saskatchewan .....	7,400	500	139,200	9,200	146,600	9,700
United States .....	4,800	100	4,800	200	9,600	300
	<u>605,100</u>	<u>34,800</u>	<u>11,181,300</u>	<u>451,900</u>	<u>11,786,400</u>	<u>486,700</u>

\*Convertible into leases to the extent of approximately 50%.

### ANALYSIS OF GROSS INCOME

(Thousands of Dollars)

	1970	1969	1968	1967	1966
Net Oil Sales .....	\$689	628	503	518	528
Net Gas Sales .....	73	43	41	36	27
Royalty Revenue .....	6	6	6	7	8
Net Oil and Gas Sales	<u>768</u>	<u>677</u>	<u>550</u>	<u>561</u>	<u>563</u>
Interest and Other Income .....	5	15	17	9	8
	<u>\$773</u>	<u>692</u>	<u>567</u>	<u>570</u>	<u>571</u>

### EXPENDITURES FOR FINDING AND DEVELOPING

(Thousands of Dollars)

	1970	1969	1968	1967	1966
Land and Rentals .....	\$ 64	220	98	94	185
Geological and Geophysical .....	28	30	13	48	22
Non-productive Drilling	55	90	54	29	16
Productive Drilling .....	34	85	8	16	175
Productive Equipment .....	101	271	54	42	64
	<u>\$282</u>	<u>696</u>	<u>227</u>	<u>229</u>	<u>462</u>



the **PETROL** oil and gas company limited  
and subsidiary companies

**Ten Year Statistical Review (1)**

<b>Income</b>	<b>1970</b>	<b>1969</b>
Net oil and gas sales .....	\$ 768	677
Interest and other income .....	5	15
Gross income .....	773	692
<b>Expenses</b>		
Production .....	195	167
General and administrative .....	68	56
Interest .....	13	12
Total .....	276	235
<b>Cash flow from operations</b>	<b>497</b>	<b>457</b>
Per share - ¢ .....	12.4	11.4
<b>Depreciation and Depletion</b> .....	<b>199</b>	<b>186</b>
<b>Net income (loss) on operations</b> .....	<b>298</b>	<b>271</b>
Gain on sale of securities .....	—	—
<b>Net income (loss) (2)</b> .....	<b>298</b>	<b>271</b>
Per share (exclusive of special gains) - ¢.	7.3	6.9
<b>Working capital (Deficiency)</b> .....	<b>1,028</b>	<b>(191)</b>
<b>Expenditures</b>		
Exploration and development .....	\$ 282	696
<b>Production</b>		
Oil - net barrels .....	261	239
Gas - net mcf .....	437	160
<b>Reserves (3)</b>		
Oil - gross barrels .....	8,232	8,594
Gas - gross mcf .....	22,900	19,800
<b>Land holdings</b>		
Gross acres .....	11,786	12,713
Net acres .....	487	630
<b>Shares outstanding</b> .....	<b>3,995</b>	<b>3,995</b>

**Notes**

(1) The above statistics are for The Petrol Oil & Gas Company, Limited and its wholly-owned subsidiaries. With the exception of per share figures, amounts are in thousands.

<b>1968</b>	<b>1967</b>	<b>1966</b>	<b>1965</b>	<b>1964</b>	<b>1963</b>	<b>1962</b>	<b>1961</b>
550	561	563	528	533	499	457	443
17	9	8	6	10	13	7	3
567	570	571	534	543	512	464	446
152	162	166	159	160	166	140	142
48	42	40	38	37	41	47	43
15	30	30	15	—	—	15	8
215	234	236	212	197	207	202	193
351	336	335	322	346	305	262	253
8.8	8.4	8.4	8.0	8.6	7.6	6.5	6.3
162	172	179	177	147	see note (2)		
189	164	156	145	199	78	(34)	11
—	—	—	22	9	20	8	32
189	164	156	167	208	98	(26)	43
4.7	4.1	3.9	3.6	5.0			
306	243	216	193	150	415	345	278
227	229	462	725	527	258	202	213
195	201	205	188	191	180	166	164
139	85	27					
8,967	8,807	8,805	7,786	7,458	4,572	4,617	4,571
17,300	18,300	4,900	5,200	3,700	3,700	3,700	
4,852	2,947	2,842	471	450	457	539	362
394	324	316	144	147	143	147	74
3,995	3,995	3,995	3,995	3,995	3,995	3,995	3,995

(2) Full-cost method of accounting for exploration and development expenditures was adopted in 1964.

(3) Includes proven and probable additional reserves.

## OFFICERS AND DIRECTORS

**Charles S. Lee**  
Calgary, Alberta

*President of the Company*  
*President of Western Decalta Petroleum Limited*  
*President of New Brunswick Oilfields, Limited*  
*Director of Consolidated West Petroleum Limited*

**Alastair H. Ross**  
Calgary, Alberta

*Vice-President of the Company*  
*Vice-President of Western Decalta Petroleum Limited*  
*President of Consolidated West Petroleum Limited*  
*Vice-President of New Brunswick Oilfields, Limited*

**L. G. Elhatton**  
Calgary, Alberta

*Secretary-Treasurer of the Company*  
*Secretary-Treasurer of Western Decalta Petroleum Limited*  
*Secretary of New Brunswick Oilfields, Limited*

**Harold J. Howard**  
Calgary, Alberta

*Assistant General Manager, Crown Trust Company*

**James L. Lewtas, Q.C.**  
Toronto, Ontario

*Partner of Campbell, Godfrey & Lewtas*  
*Barristers and Solicitors*

**F. Richard Matthews, Q.C.**  
Calgary, Alberta

*Partner of MacKimmie Matthews*  
*Barristers and Solicitors*

**Robert Tetrault**  
Calgary, Alberta

*President of Alberta White Trucks (Calgary) Limited*

## CORPORATE

### TRANSFER AGENTS

Crown Trust Company  
302 Bay Street,  
Toronto 1, Ontario

### HEAD OFFICE

36th Flr., Toronto-Dominion Centre,  
Toronto, Ontario

### GENERAL OFFICE

630 - 6th Avenue S.W.,  
Calgary 1, Alberta

### LISTING

Toronto Stock Exchange

### SUBSIDIARY COMPANIES

The Petrol Oil and Gas Corporation  
Petrol Mineral Enterprises Ltd.



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